

OUACHITA COUNCIL OF GOVERNMENTS

**Financial Statements
For the Year Ended June 30, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/22/06

**Ouachita Council of Governments
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Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

INDEPENDENT AUDITORS' REPORT

**Board Members
Ouachita Council of Governments
Monroe, Louisiana**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ouachita Council of Governments (the Council), Monroe, Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to report on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and the *Louisiana Governmental Audit Guide* issued by the Louisiana Legislative Auditor and the Louisiana Society of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our report.

Ouachita Council of Governments has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

As discussed in Note 3 to the financial statements, the Council is unable to determine an amount that may reasonably be expected to be collected from its accounts receivable balances that total \$58,565.

Because of the significance of the matter described in the preceding paragraph, we are unable to express, and we do not express any opinion on the financial statements referred to in the first paragraph.

**Board Members
Ouachita Council of Governments**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2006 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying budgetary comparison schedules are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script, reading "Ruffey Haffner & Assoc".

(A Professional Accounting Corporation)

January 13, 2006

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)

OUACHITA COUNCIL OF GOVERNMENTS

STATEMENT OF NET ASSETS

June 30, 2005

	Statement A
	Governmental Activities
ASSETS	
Cash	\$ 25,103
Receivables	<u>90,178</u>
TOTAL ASSETS	<u>115,281</u>
LIABILITIES	
Accounts payable	<u>119,472</u>
NET ASSETS	
Unrestricted (Deficit)	\$ <u><u>(4,191)</u></u>

The notes to the financial statements are an integral part of this statement.

OUACHITA COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2005

Statement B

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Total
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General and administrative	\$ 4,753	\$ -	\$ -	\$ (4,753)
Intergovernmental	<u>286,089</u>	<u>-</u>	<u>149,883</u>	<u>(136,206)</u>
Total Governmental Activities	<u>\$ 290,842</u>	<u>-</u>	<u>\$ 149,883</u>	<u>(140,959)</u>
General revenues:				
Local sources				128,417
Ambulance licenses and permits				8,100
Earnings on investments				<u>416</u>
				<u>136,933</u>
Changes in net assets				(4,026)
Net assets (Deficit) - beginning				<u>(165)</u>
Net assets (Deficit) - ending				<u>\$ (4,191)</u>

The notes to the financial statements are an integral part of this statement.

BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS (FFS)

OUACHITA COUNCIL OF GOVERNMENTS

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2005

Statement C

	<u>Major Funds</u>			
	<u>General</u>	<u>Federal Transit Authority 80X013</u>	<u>Federal Highway Administration 736-37-0035</u>	<u>Total</u>
ASSETS				
Cash	\$ 25,103	\$ -	\$ -	\$ 25,103
Receivables	58,565	4,731	26,882	90,178
Interfund receivables	<u>-</u>	<u>9,114</u>	<u>42,170</u>	<u>51,284</u>
TOTAL ASSETS	<u>\$ 83,668</u>	<u>\$ 13,845</u>	<u>\$ 69,052</u>	<u>\$ 166,565</u>
LIABILITIES AND FUND BALANCES				
	\$			
LIABILITIES				
Accounts payable	36,575	\$ 13,845	\$ 69,052	\$ 119,472
Interfund payables	<u>51,284</u>	<u>-</u>	<u>-</u>	<u>51,284</u>
TOTAL LIABILITIES	87,859	13,845	69,052	170,756
FUND BALANCES:				
Unreserved and undesignated (Deficit)	<u>(4,191)</u>	<u>-</u>	<u>-</u>	<u>(4,191)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 83,668</u>	<u>\$ 13,845</u>	<u>\$ 69,052</u>	<u>\$ 166,565</u>

The notes to the financial statements are an integral part of this statement.

OUACHITA COUNCIL OF GOVERNMENTS

**GOVERNMENTAL FUNDS
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2005**

Statement D

	<u>Major Funds</u>			
	<u>General</u>	<u>Federal Transit Authority 80X013</u>	<u>Federal Highway Administration 736-37-0035</u>	<u>Total</u>
Intergovernmental revenues:				
Federal sources	\$ -	\$ 26,557	\$ 123,326	\$ 149,883
Local sources	90,946	6,639	30,832	128,417
Other:				
Ambulance licenses and permits	8,100	-	-	8,100
Interest earnings	416	-	-	416
Total revenues	<u>99,462</u>	<u>33,196</u>	<u>154,158</u>	<u>286,816</u>
EXPENDITURES				
Current:				
General and administrative	4,753	-	-	4,753
Intergovernmental	98,735	33,196	154,158	286,089
Total expenditures	<u>103,488</u>	<u>33,196</u>	<u>154,158</u>	<u>290,842</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,026)	-	-	(4,026)
FUND BALANCES (Deficit) - BEGINNING	<u>(165)</u>	<u>-</u>	<u>-</u>	<u>(165)</u>
FUND BALANCES (Deficit) - ENDING	<u>\$ (4,191)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,191)</u>

The notes to the financial statements are an integral part of this statement.

Ouachita Council of Governments

Notes to the Financial Statements

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**Ouachita Council of Governments
Notes to Financial Statements
For the Year Ended June 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Ouachita Council of Governments have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The Ouachita Council of Governments was created by the Commission Council of the City of Monroe, the Mayor and Board of Aldermen of the City of West Monroe, the Ouachita Parish Police Jury, the Monroe City School Board, and the Ouachita Parish School Board on September 23, 1968, under the authority of Louisiana Revised Statutes 33:1321-1332. On February 26, 1973, the articles of the agreement were amended to provide for two classes of membership on the Council - regular members and associate members. The regular membership consists of: (1) two members from the City of Monroe Commission Council (one of whom may be the Mayor) appointed by the Commission Council; (2) two members from the membership of the Mayor and Board of Aldermen of the City of West Monroe (one of whom may be the Mayor) appointed by the Mayor and Board of Aldermen; and (3) two members from the Ouachita Parish Police Jury (one of whom may be the President) appointed by the Ouachita Parish Police Jury. Any other unit of government situated within Ouachita Parish, or having an operating office in Ouachita Parish, is eligible for associate membership. Regular and associate members serve without benefit of compensation.

In creating the Ouachita Council of Governments, the members included in the articles of the agreement the following functions and purposes of the Council:

1. To carry on a continuing comprehensive planning program that supplements and coordinates but does not duplicate the programs of the member units.
2. To study such area governmental problems common to two or more members of the Council as it deems appropriate, including but not limited to matters affecting health, safety, welfare, education, economic conditions and regional development.
3. To promote cooperative arrangements and coordinate action among its members.
4. To make recommendations for review and action to the members and other public agencies that perform functions within the region.
5. To serve as a clearinghouse, for the benefit of the member governments, of information concerning their common problems and concerning state and federal services available to assist in the solution of these problems.

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Because the Council members are solely accountable for fiscal matters, which include (1) budget authority, (2) responsibility for funding deficits and operating deficiencies, and (3) fiscal management for

Ouachita Council of Governments
Notes to Financial Statements
For the Year Ended June 30, 2005

controlling the collection and disbursement of funds, and because of the scope of public service provided by the Council, the Council is a separate governmental reporting entity. The Council includes all funds, activities, et cetera, that are within the oversight responsibility of the Council. The Council has no *component* units, defined by GASB Statement 14 as other legally separate organizations for which the elected Council members are financially accountable. There are no other primary governments with which the Council has a significant relationship.

B. FUNDS

The accounts of the Council are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The funds of the Council are classified into the governmental category. In turn, this category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds - Governmental funds are used to account for the Council's general government activities, including the collection and disbursement of specific or legally restricted monies. The Council's governmental funds include the following, all of which are major funds:

General fund - the primary operating fund of the Council. It accounts for all financial resources of the Council, except those required to be accounted for in another fund.

Federal Transit Authority - accounts for revenue sources that are legally restricted to expenditures for specified purposes.

Federal Highway Administration - accounts for revenue sources that are legally restricted to expenditures for specified purposes.

C. MEASUREMENT AND BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS) - The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole.

The Statement of Net Assets and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Ouachita Council of Governments
Notes to Financial Statements
For the Year Ended June 30, 2005

Program revenues - Program revenues include operating grants and contributions. Program revenues also reduce the cost of the function to be financed from the Council's general revenues.

Fund Financial Statements (FFS)

Governmental Funds - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Intergovernmental revenues are recognized in the amounts earned, to the extent that they are both measurable and available.

Interest income is recorded when the income is available.

Expenditures

Expenditures are generally recognized under the modified accrual basis when the related fund liability is incurred.

D. BUDGETS

The Council follows these procedures in establishing the budgetary data reflected in the combined financial statements: State statute requires budgets be adopted for the general fund and all special revenue funds. Each year, prior to the beginning of the fiscal year, the executive director submits to the Council proposed annual budgets for the general fund and special revenue funds. Public hearings are conducted, prior to the Council's approval, to obtain taxpayer comments. Grant funds are included in special revenue funds and their budgets are adopted after the grant applications are approved by the grantor. The operating budgets include proposed expenditures and the means of financing them.

The Council adopted budgets for the general fund and all special revenue funds. All appropriations (unexpended budget balances) lapse at year end.

Encumbrances are not recognized within the accounting records for budgetary control purposes.

Ouachita Council of Governments
Notes to Financial Statements
For the Year Ended June 30, 2005

All governmental funds budgets are prepared on the modified accrual basis of accounting, a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted or as amended by the Council. Legally, the Council must adopt a balanced budget, that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. State statutes require the Council to amend its budgets when revenues plus projected revenues within a fund are expected to exceed budgeted expenditures by five percent or more. The Council approves budgets at the function level and management can transfer amounts between line items within a function.

Formal budget integration (within the accounting records) is employed as a management control device. The budget is established and controlled by the Council at the functional level of expenditure and budget amendments are adopted by the Council as necessary.

However, the following major fund had actual revenues and expenditures over budgeted resources and appropriations for the year ended June 30, 2005:

	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
		<u>Amount</u>	<u>Variance</u>
General fund -			
Resources	\$ 91,782	\$ 99,297	\$ 7,515
Charges to appropriations	91,947	103,488	\$ (11,541)

E. CASH

Cash includes amounts in interest-bearing demand deposits. Under state law, the Council may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

F. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

Ouachita Council of Governments
Notes to Financial Statements
For the Year Ended June 30, 2005

H. ELIMINATION AND RECLASSIFICATIONS

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

NOTE 2 - CASH

Custodial credit risk – deposits - These deposits are stated at cost, which approximates market. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At June 30, 2005, the Council had \$26,536 on deposit with its financial institution all of which was covered by Federal deposit insurance.

NOTE 3 - RECEIVABLES

The receivables at June 30, 2005, are as follows:

<u>Class of Receivable</u>	<u>General</u>	<u>Federal Transit Authority 80X013</u>	<u>Federal Highway Administration 736-37-0035</u>	<u>Total</u>
Local sources:				
Ouachita Parish Police Jury	\$ 26,600	\$ -	\$ -	\$ 26,600
City of Monroe	31,965	-	-	31,965
Federal sources	-	4,731	26,882	31,613
Total	<u>\$ 58,565</u>	<u>\$ 4,731</u>	<u>\$ 26,882</u>	<u>\$ 90,178</u>

The Council has not been able to obtain acknowledgements from the Ouachita Parish Police Jury and the City of Monroe that these receivable balances are correct. Therefore, the amount that may actually be collected from these governmental entities, if any, can not be determined at this time.

NOTE 4 - INTERGOVERNMENTAL EXPENDITURES

The Ouachita Council on Governments receives contributions from its member agencies to pass through to other agencies in the region. Additionally, Federal program funds are received from the Louisiana Department of Transportation and Development and transferred to other agencies. For the year ended June 30, 2005, the Council received and distributed the following:

Ouachita Council of Governments
Notes to Financial Statements
For the Year Ended June 30, 2005

	General	Federal Transit Authority 80X013	Federal Highways Administration 736-37-0035	Total
North Delta Regional Planning & Development District	\$ 40,435	\$ 33,196	\$ 154,158	\$ 227,789
Ouachita Multi-Purpose CAP	4,108	-	-	4,108
Opportunities Industrialization Center	2,366	-	-	2,366
Senior Adult Academic Program	2,066	-	-	2,066
LA Department of Veterans Affairs	12,048	-	-	12,048
RSVP of Ouachita Parish	1,438	-	-	1,438
Northeast LA Health Education and Planning	4,312	-	-	4,312
Ouachita Council on Aging	9,655	-	-	9,655
Association for Retarded Citizens/Ouachita	9,094	-	-	9,094
Monroe Sheltered Workshop	6,325	-	-	6,325
Triad	1,988	-	-	1,988
GoCARE	4,900	-	-	4,900
Total	<u>\$ 98,735</u>	<u>\$ 33,196</u>	<u>\$ 154,158</u>	<u>\$ 286,089</u>

NOTE 5 - DUAL ROLES OF STAFF

The Executive Secretary of the Council also serves as Executive Director of North Delta Regional Planning and Development District. The Council has contracted with North Delta to provide technical assistance in carrying out Federal and local program activities. For the year ended June 30, 2005, the Council made payments to North Delta totaling \$227,789 which represents 79.62 percent of the Council's total intergovernmental expenditures for the year.

NOTE 6 - LITIGATION AND CLAIMS

Litigation - The Ouachita Council of Governments was not involved in any litigation at June 30, 2005, nor is it aware of any unasserted claims.

Grant Disallowance - The Council participates in a number of Federal awards programs. The programs are not subject to compliance audits under the single audit approach. These programs are still subject to financial and compliance audits and resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Council expects such amounts, if any, to be immaterial.

NOTE 7 - ECONOMIC DEPENDENCY

The three regular members of the Council, the City of Monroe, the City of West Monroe and the Ouachita Parish Police Jury, fund the local activities of the Council and also fund the 20 percent match for Federal grants. Each governmental unit's percentage is based on the Federal census. For the year ended June 30, 2005, the three governmental units contributed 47.60 percent of the Council's total revenues.

**Ouachita Council of Governments
Notes to Financial Statements
For the Year Ended June 30, 2005**

NOTE 8 - RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Council is self-insured for all losses regarding liability. The Council currently reports all of its risk management activities in the general fund.

NOTE 9 – SUBSEQUENT EVENTS

A catastrophic natural disaster was caused by Hurricanes Katrina and Rita which occurred in the southern region of Louisiana in August and September of 2005. The Louisiana economy has been devastated by this catastrophe. The Council received over half of its funding from the Louisiana Department of Highways. The financial effects of these events, if any, have not been determined and cannot be reasonably estimated by management at this time.

OUACHITA COUNCIL OF GOVERNMENTS

**GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2005**

Exhibit 1-1

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive</u> <u>(Negative)</u>
BUDGETARY FUND BALANCES (Deficit), BEGINNING	\$ (165)	\$ (165)	\$ (165)	-
Resources (inflows):				
Intergovernmental revenues:				
Local sources	90,947	90,947	90,946	(1)
Other revenues:				
Ambulance licenses and permits	1,000	1,000	8,100	7,100
Interest earnings	-	-	416	416
Amounts available for appropriations	<u>91,782</u>	<u>91,782</u>	<u>99,297</u>	<u>7,515</u>
Charges to appropriations (outflows):				
Current:				
General and administrative	33,647	33,647	4,753	28,894
Intergovernmental	<u>58,300</u>	<u>58,300</u>	<u>98,735</u>	<u>(40,435)</u>
Total charges to appropriations	<u>91,947</u>	<u>91,947</u>	<u>103,488</u>	<u>(11,541)</u>
BUDGETARY FUND BALANCES (Deficit), ENDING	\$ <u>(165)</u>	\$ <u>(165)</u>	\$ <u>(4,191)</u>	\$ <u>(4,026)</u>

OUACHITA COUNCIL OF GOVERNMENTS

FEDERAL TRANSIT AUTHORITY 80X013

Budgetary Comparison Schedule

For the Year Ended June 30, 2005

Exhibit 1-2

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive</u> <u>(Negative)</u>
BUDGETARY FUND BALANCES, BEGINNING \$	\$ -	\$ -	\$ -	\$ -
Resources (inflows)				
Intergovernmental revenues:				
Federal sources	26,557	26,557	26,557	-
Local sources	6,639	6,639	6,639	-
Amounts available for appropriations	33,196	33,196	33,196	-
Charges to appropriations (outflows)				
Current:				
Intergovernmental	33,196	33,196	33,196	-
Total charges to appropriations	33,196	33,196	33,196	-
BUDGETARY FUND BALANCES, ENDING	\$ -	\$ -	\$ -	\$ -

OUACHITA COUNCIL OF GOVERNMENTS

FEDERAL HIGHWAY ADMINISTRATION 736-37-0035

Budgetary Comparison Schedule

For the Year Ended June 30, 2005

Exhibit 1-3

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive</u> <u>(Negative)</u>
BUDGETARY FUND BALANCES, BEGINNING \$	\$ -	\$ -	\$ -	\$ -
Resources (inflows)				
Intergovernmental revenues:				
Federal sources	123,326	123,326	123,326	-
Local sources	<u>30,832</u>	<u>30,832</u>	<u>30,832</u>	<u>-</u>
Amounts available for appropriations	<u>154,158</u>	<u>154,158</u>	<u>154,158</u>	<u>-</u>
Charges to appropriations (outflows)				
Current:				
Intergovernmental	<u>154,158</u>	<u>154,158</u>	<u>154,158</u>	<u>-</u>
Total charges to appropriations	<u>154,158</u>	<u>154,158</u>	<u>154,158</u>	<u>-</u>
BUDGETARY FUND BALANCES, ENDING	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>



Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Alteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

**Report on Internal Control over Compliance and Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

**Board Members
Ouachita Council of Governments
Monroe, Louisiana**

We have audited the financial statements of the governmental activities and each major fund of Ouachita Council of Governments (the Council) as of and for the year ended June 30, 2005, which collectively comprise the Council's basic financial statements and have issued our report thereon dated January 13, 2006. We did not express an opinion on those financial statements because the Council was unable to determine an amount that may reasonably be expected to be collected from its accounts receivable balances that total \$58,565. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 05-03.

Internal Control over Financing Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to

**Board Members
Ouachita Council of Governments**

significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Council's ability to record, process, summarize and report financial data consistent with the assertions of

management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Items 05-01, 05-02, and 05-03.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider reportable conditions 05-01, 05-02, and 05-03 described above to be material weaknesses.

This report is intended for the information of management of the Council, Federal awarding agencies and pass-through entities, other entities granting funds to the Council, and the Legislative Auditor for the State of Louisiana and is not intended to be used and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.



(A Professional Accounting Corporation)

January 13, 2006

**Ouachita Council of Governments
Schedule of Findings
For the Year Ended June 30, 2005**

Reference # and title: **05-01** **Inadequate Segregation of Duties**

Criteria or specific requirement: Separation of duties is needed to provide a strong system of internal control which should reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited would be detected within a timely period by employees in the normal course of performing their assigned functions.

Condition found: Bank reconciliations are prepared by an accountant who is an employee of the City of Monroe. The accountant performs some incompatible functions including preparation of deposits, making the bank deposits, and recording them in the general ledger. The same accountant also prepares checks and records them in the general ledger. Additionally, there is no indication that anyone, other than the accountant, reviews or approves the bank reconciliations. The bank reconciliation for June 30, 2005 includes items that date as far back as 1999 that have not been adjusted in the general ledger and was also in error because it listed an outstanding check for \$16,635 that had actually been voided.

Possible asserted effect (cause and effect):

Cause: The Council has no employees. The accounting functions are performed by an employee of the City of Monroe.

Effect: Misstatements in the financial statements due to errors, misappropriation of assets, and/or fraud may not be detected in a timely manner.

Recommendations to prevent future occurrences: Monthly bank reconciliations should be prepared and submitted to the Executive Director who should review them for accuracy and indicate his approval. When the Executive Director receives the monthly bank statement, he should open it and examine the clearing items before it is forwarded to the accountant for preparation of the bank reconciliation. Also, the accountant who prepares the bank reconciliation should not be allowed to mail the checks that she prepares. This responsibility should be assigned to those who approve the invoices for payment and actually sign the checks.

Corrective action planned:

Monthly bank reconciliations will be prepared and submitted to the Executive Director who will review them for accuracy and give his approval. When the Executive Director receives the monthly bank statement, he will open the statement and examine the items and clear them before it is forwarded to the accountant for preparation of the bank reconciliation. The accountant who prepares the bank reconciliation will not be allowed to mail the checks that she prepares. This responsibility will be assigned to those who approve the invoices for payment and actually sign the checks.

**Ouachita Council of Governments
Schedule of Findings
For the Year Ended June 30, 2005**

Person responsible for corrective action:

David Creed, Executive Director
Ouachita Council of Governments
1913 Stubbs Avenue
Monroe, LA 71201

Telephone: (318) 387-2572

Fax: (318) 387-9054

Reference # and title: **05-02** **Insufficient Monitoring of the Budget, Accounts
Receivable, and Accounts Payable**

Criteria or specific requirement: Management's responsibilities include establishing and maintaining a system whereby it can manage and make informed decisions concerning the Council's budget and cash flows that are directly impacted by its rights and obligations.

Condition found: The Council's general ledger is recorded on a cash basis and the account balances are not adjusted to such an extent that meaningful financial statements can be produced because they do not include accounts receivable or accounts payable.

Accounts receivable at June 30, 2005 include more than \$58,500 that remains uncollected after more than a year and management is unable to readily determine its collectibility. Accounts payable at June 30, 2005 include more than \$7,600 that remains unpaid after more than a year.

There is no indication that the budget was amended to reflect the negative cash flow impact of these matters which could total more than \$66,000. Therefore, cash inflows for the current period from the government contracts are being utilized to satisfy prior periods obligations of the Council.

Additionally, actual revenues and expenditures both exceed the budget by significant amounts.

Possible asserted effect (cause and effect):

Cause: The Council's method of recording its transactions is based on the cash basis rather than the accrual basis of accounting.

Effect: Management is unable to monitor the Council's accounts receivable and accounts payable which has a negative impact on its ability to plan its cash resources and obligations.

Recommendations to prevent future occurrences: The general ledger should be adjusted to include balances in all significant assets and liabilities so that financial statements can be prepared and so that management can monitor, budget, and plan its financial resources and obligations.

**Ouachita Council of Governments
Schedule of Findings
For the Year Ended June 30, 2005**

Corrective action planned:

The general ledger will be adjusted to include balances in all significant assets and liabilities so that financial statements can be prepared and management will monitor, budget and plan its financial resources and obligations.

Person responsible for corrective action:

David Creed, Executive Director
Ouachita Council of Governments
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Monroe, LA 71201

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Reference # and title: **05-03** **Financial Statements were not audited or submitted
timely to the proper agencies**

Criteria or specific requirement: Louisiana Revised Statutes require that the Council prepare and submit its audited financial statements no later than six months after the end of its most recent fiscal year.

Condition found: Management was unable to provide its independent auditors with information and documentation necessary to complete the audit in a timely manner. Therefore, the audited financial statements were not prepared or submitted timely to the appropriate agencies.

Possible asserted effect (cause and effect):

Cause: The Council has no employees and, therefore, must rely on others who are employed by members of the Council to record its transactions, maintain complete records, and perform various other accounting functions.

Effect: The Council has not complied with reporting requirements in accordance with Louisiana Revised Statutes.

Recommendations to prevent future occurrences: Management should institute accounting policies and procedures that require regular reconciliation of all of its significant assets and liabilities on the general ledger to complete and accurate documentation that substantiates those balances.

Corrective action planned:

Management will institute accounting policies and procedures that will require regular reconciliation of all of its significant assets and liabilities on the general ledger to complete an accurate documentation that will substantiate those balances.

**Ouachita Council of Governments
Schedule of Findings
For the Year Ended June 30, 2005**

Person responsible for corrective action:

David Creed, Executive Director
Ouachita Council of Governments
1913 Stubbs Avenue
Monroe, LA 71201

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Fax: (318) 387-9054

**Ouachita Council of Governments
Status of Prior Year Findings
As of and for the Year Ended June 30, 2005**

Finding reference # and title: **04-F1** **Inadequate Segregation of Duties**

Initially occurred: June 30, 2003

Condition: Separation of duties is needed to provide a strong system of internal control which should reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited would be detected within a timely period by employees in the normal course of performing their assigned functions.

All accounting functions for the Council, with the exception of signing checks, are performed by one individual. This individual makes deposits, post receipts, prepares, posts and mails disbursements, and also reconciles the bank statements.

Status: See current-year finding 05-01.